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RHMFIUU/FAA NATIONAL HQ WASHINGTON DC
RUEHRC/DEPT OF AGRICULTURE WASHDC
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE

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SIPDIS

SENSITIVE
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USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR CLILIENFELD/AADLER
DEPT PASS TO TREASURY FOR OFFICE OF SOUTH ASIA ABAUKOL
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
STATE FOR SCA/INS AND EB/TRA JEFFREY HORWITZ AND TOM ENGLE
USDA PASS FAS/OCRA/RADLER/BEAN/CARVER/RIKER

E.O. 12958: N/A

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SUBJECT: NEW DELHI WEEKLY ECON OFFICE HIGHLIGHTS FOR THE WEEK OF
MARCH 17-20, 2008

REF: New Delhi 494

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¶1. (U) Below is a compilation of Economic highlights from Embassy
New Delhi for the week of March 17-20, 2008.

INDIA PLANS THIRD YEAR OF
GRAIN PURCHASES

¶2. (U) The growing demand for wheat in India has contributed to a
global price increase of the crop, which has more than doubled in
the last year. Despite last year's record yield of 75.8 million
tons, the government was forced to import 1.8 million tons of wheat
to meet its requirements in 2007. Official estimates suggest that
this year's output will be approximately 75 million tons, but the
government anticipates purchasing large quantities of the grain for
a third consecutive year. Foreseeing future volatility in wheat
prices, an unnamed official suggested the government could float a
call option tender soon to buy wheat from abroad. A call option
would allow the government to purchase wheat at a pre-set price
within a limited timeframe, in exchange for a nonrefundable payment.
The quantity of wheat required and the date of the purchase will
depend largely on the timing and yield of India's annual wheat
harvest this spring.

FEARS OF US RECESSION LOOM
IN INDIAN IT SECTOR

¶3. (U) The rupee fell to a low of 40.84 on March 17th, its lowest
level in six months, but recovered to end the following day at
40.51. The projected effect of a U.S. economic downturn appears to
be raising concerns in the Indian information-technology (IT)
industry. Rupee appreciation is expected to lead to delayed or
canceled projects for outsourcing and technology firms in India

whose primary business comes from U.S. clients. IT giant Tata Consultancy Services (TCS) has recently reported that two of its clients have delayed orders. Additionally, The Times of India reports that approximately 100,000 Indian IT student recruits have been placed in "indefinite wait" status by the technology firms they would have joined this quarter.

MIXED SIGNALS ON GROWTH

14. (SBU) Recent economic data presents a mixed picture for the first three months of 2008, although still in line with our recent economic assessment (reftel). Advance taxes paid by Indian companies for January-March 2008 more than doubled over the same period last year, indicating that corporate earnings growth continues to be robust. However, January production data showed that industrial production moderated to 5.3% in January 2008, compared to 11.6% growth recorded in January 2007. Cumulative industrial growth for April-January 2007-08 was considerably higher than the January one-month data, at 8.7%, albeit lower than 11.2% recorded last year. Other January data shows that capital goods output decelerated in January 2008 to 2% from a high of 20% during the first nine months of FY 2007-08. Even so, nearly 30% of the capital goods items grew by over 30% in the current year. More mixed signals on the economy came in the form of slower growth in infrastructure industries for January 2008 at 4.2%, compared with 8.3% for January 2007. The one month data is not necessarily a trend; industrial production data in FY 2006-07 revealed a one-month sharp slide to 4.5% in October 2006 but bounced back to 15.8% in the following month. The full fiscal year's (2006-07) industrial production growth turned out to be 11.5%. Keeping this in mind, Post will continue to monitor India's growth trends.

GM UNVEILS PLANS FOR NEW MINI CAR

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15. (U) General Motors announced its plan to release a second mini car into the low-cost car segment within the next two years. The new model would be priced between USD 3500 and 4000 in India, making it cheaper than GM's least expensive model in the country, the 'Spark'. GM currently has a three percent share in the Indian auto market and is targeting a 10% market share by 2010. GM Group Vice-President David Reilly indicated that the cars will be built in Maharashtra, where trial production began earlier this week.

FOREIGN EYES ON INDIA'S BURGEONING FOOD SECTOR

16. (U) At an awards ceremony at the National Productivity Council on March 19, Minister of State for Food Processing Industries Subodh Kant Sahai urged potential stakeholders to invest in India's food processing sector. Sahai stated that while the sector has nearly doubled in growth in the last four years, an additional investment of 100 billion rupees would be necessary to hit a target growth rate of 20% by the year 2015. Media sources report that two-thirds of the processed foods market is controlled by regional firms in India, and that the total value of the market is estimated at USD 90 billion. Several multinational firms, including Nestle and Yum Brands, have leveraged the influence of rising incomes, changing culinary preferences, and an increasingly female workforce to adapt their products to suit Indian audiences. Nevertheless, tax rules and insufficient storage and refrigeration infrastructure continue to pose challenges to those firms interested in entering the market.

INDIA STILL NOT READY WITH AMENDMENTS TO THE MONEY LAUNDERING ACT

17. (SBU) Anand Bajaj, Director (External Markets) at the Department of Economic Affairs, Ministry of Finance told Econoff on March 18 that India is reworking the amendments to the Prevention of Money Laundering Act 2002, taking into account the international

recommendations as outlined by the Financial Action Task Force at the last plenary in Paris in February. Although USG has not seen the proposed amendments, Bajaj stated the changes to the amendments will expand the number of new "scheduled offences" for money laundering that do not require a predicate offence from less than ten to approximately twenty. Bajaj said that the bill will take some time to get ready and is not likely to be introduced in the current budget session of parliament. Although Bajaj did not mention specifics, previously discussed scheduled offences include those currently addressed in the Unlawful Activities Prevention Act on terror and terrorism proceeds, SEBI Act on insider trading, Narcotics Act on preparing opium, Explosives Act to combat terrorism, the Wildlife Protection Act related to hunting, the Prevention of the Corruption Act on criminal misconduct by a public servant, the Customs Act on import or export of goods prohibited under the Customs Act and misdeclaration of value of exports or imports or evasion of duty.

U.S. AGENDA ON PATENT ISSUE
CALLED INTO QUESTION

18. (U) Indian patent experts view the comments of some US academics during a recent Chennai summit on intellectual property rights (IPR) as a indication that the U.S. seeks to avoid protections for traditional knowledge, to the detriment of developing countries such as India and Brazil. Indian patent experts claim that Western firms do not share the benefits of indigenous biological resources and traditional knowledge with local communities where products originated. One of the experts, Vibhudi Rangan, stated that the U.S is using trade and media pressure to express to India that traditional knowledge is separate from - and cannot be protected by - patents. Recently, India has pushed for an amendment to WTO

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TRIPS, which would require patent applicants worldwide to state the source of origin of data related to natural resources. During the summit, George Washington University law professor Martin Adelman stated that "traditional knowledge is not a patent issue... India's wealth is not dependent on traditional knowledge," and instead encouraged India to invest in entrepreneurship and continued technological and scientific progress.

CIPLA TO MARKET LUNG CANCER
TREATMENT DRUG

19. (U) The Delhi High Court made an interim ruling that permits domestic Indian pharmaceutical manufacturer Cipla to market a lung cancer treatment drug which was developed by Roche and granted a patent in India in July 2007. The generic name of the lung cancer drug is Erlotinib, sold under Roche's trade name as Tarceva. Cipla has branded the drug 'Erlocip' and will sell it at one-third the price of Roche's drug. Roche is arguing that the Indian product patent for Tarceva disallows other companies from manufacturing a "copy-cat" version of the drug, but Cipla is questioning the validity of the Roche patent. Prior to India's Patent Law of 2005, the GOI only protected process patents, which permitted firms to make the same drug through different processes. Lung cancer affects approximately 160,000 Indians yearly. According to Cipla's lawyer in the case, the court order stated that "given the price difference, the court did not want patients to be deprived of a low-cost alternative by staying sales of the generic product."

POWER SHORTFALL PROMPTS
SUGGESTION FOR NEW "WEEKENDS"

10. (U) The Tamil Nadu Electricity Board (TNEB) has asked information technology companies in Chennai to stagger their weekly holiday from the present Saturday-Sunday to either Sunday-Monday or Friday-Saturday. TNEB expects a shortfall of 1000 MW this summer due to underinvestment in power-generation capacity in recent years and delays in completing a new nuclear power plant in the state. TNEB told the companies that shifting the weekly holidays will ease the load on the grid, leading to fewer unexpected power disruptions,

a cognizant official told Consulate Chennai. He also said that the companies were considering TNEB's request, but that their responses would depend upon their discussions with their clients.

KARNATAKA APPROVES INVESTMENT
PROJECTS WORTH USD 12 BILLION

¶11. (U) The State High Level Clearance Committee (SHLCC) of the South India state of Karnataka approved on March 18 some 28 investment proposals valued at more than INR 490 billion (USD 12 billion), according to press reports. The projects, which involve an array of sectors from power-generation to steel-production and education to urban planning, are slated to generate more than 400,000 jobs. An official in the state governor's office told Consulate Chennai that most of the project investors were Indian entities working with international banks to provide the financial backing.

¶12. (SBU) A former Karnataka government minister told Consulate Chennai that many of these proposals were initiated during the previous JD(S)/BJP coalition government (which collapsed in October 2007 and again in November), but had failed to gain approval. He also said that many of the approved proposals were from business groups closely aligned with the Congress Party. The SHLCC is chaired by Governor Rameshwar Thakur, a Congress appointee who has administered the state under "President's Rule" since the collapse of the state's elected government.

¶13. (U) Visit New Delhi's Classified Website:

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<http://www.state.sgov/p/sa/newdelhi>

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